

JEFFERSON COUNTY
METAL MINE DISBURSEMENT
REVOLVING LOAN FUND

Application Guidelines
December, 2006

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Introduction

The Jefferson County Metal Mine Revolving Loan Fund is designed to assist the County Commissioners in making decisions on economic development loan application requests. Loan funds in this account are available due to the Metalliferous Mines License Tax paid by the Golden Sunlight Mine and Montana Tunnels Mine over the past years. The Montana Code Annotated (MCA) 22-25-117, 7-6-2225, 7-6-2226, and 20-9-231 governs the use of these funds.

The Jefferson County Commissioners are the final approval authority for all expenditures of the MMRLF for loan requests submitted for funding. The focus of the MMRLF is to enhance economic development by making business loans throughout Jefferson County, which will assist with minimizing the economic impact that will be experienced due to eventual mine closures.

Metal Mines Committee

Purpose: The Metal Mine Committees (MMC) are advisory committees consisting of citizen volunteers to assist the Jefferson County Commissioners by making recommendations for funding of all metal mine grant and loan (see Jefferson County metal mine loan program guidance) projects that will directly or indirectly enhance economic development in Jefferson County.

Committee Selection: The Commissioners will appoint two committees consisting of five (5) individuals each to assist with the management of the two separate Metal Mine grant and loan programs in the county. Metal Mine Committee South (MMCS) consists of individuals who reside in the Whitehall High School District and Metal Mine Committee North (MMCN) is comprised of individuals who reside in the Jefferson High School District. Individuals selected for each committee will reside in the respective areas and be volunteers who have a desire to positively influence the economic development of this area.

To set up or fill vacancies on the Metal Mine Committees, the Commission will advertise in the local newspapers for two weeks seeking volunteers from the community. People interested in being on the committee must submit a letter detailing their interest and qualifications by a specified deadline. The Commission will review all applications submitted by the deadline and select the Committee members. Each committee will consist of volunteers that reside in the local school district. The Metal Mine Committee North will be made up of two (2) representatives from the Clancy/Montana City area, one (1) from the Jefferson City area and two (2) from the Boulder area.

Each committee will have a designated chairperson appointed by the Commission to act as the primary point of contact for the committee and be responsible for presenting committee recommendations to the Commissioners. A County Commissioner will be designated as the program liaison and participate in all Metal Mine Committee proceedings as a non-voting member of the committee to keep the continuity of information flow to the other commissioners.

Funding Application Process: Applications for the metal mine grants and loans are available at the Commissioners office in Boulder, Montana, the Jefferson Local Development Corporation (JLDC) office in Whitehall, Montana or through Headwaters RC&D Area, Inc. (Headwaters) in Butte, Montana.

The initial interview for all loan requests will be through Headwaters, who will verify that the applicant meets all established criteria. Loan applications that meet all the criteria will be passed to the Commissioners and then to the Metal Mine Committee with jurisdiction where the loan will be used. The Committee will review all loan applications in detail and make recommendations to the Commissioners on loan proposals. The loan evaluation form shown in Appendix C will be used by each committee member to evaluate each loan proposal. A consolidated committee evaluation sheet will be filled out and attached to the loan application and presented to the Commissioners with a recommendation for either support or non-support of the proposed loan. Loans recommended for non-support require a written narrative from the committee addressed to the County Commissioners.

Committee members who have a personal vested interest either directly or indirectly or who have a conflict of interest in the project will disqualify themselves from the evaluation process. A Committee quorum consists of three committee members for the purpose of conducting Metal Mine Disbursement Committee business.

The final authority for loan approval rests with the Commissioners.

Loan Funding Level

The funds for the loan program will be retained under the County Treasurer and will be disbursed at the direction of the County Commissioners. **The loan program is funded at \$250,000 for each of the respective High School Districts.** The County Treasurer will track and monitor loan fund expenditures and balances. Additional loan dollars, if available and approved by the Commission, may be allocated into the MMRLF account. Loan funds available in the future will be recommended by the Committee and approved by the Commissioners based on available funds in the respective area MMRLF accounts.

Loan Administration

The Revolving Loan fund will be administered by Headwaters located in Butte, Montana as directed by the Commissioners and includes loan origination, Loan Request Preparation to the Commissioners for loan action (approval/disapproval), preparation of loan documentation, lien perfection, servicing of scheduled loan payments, delinquent loan collection and defaults. Loan administrative fees will be paid from the reserve account to Headwaters by the County Treasurer. A separate Professional Services Contract (herein referred to as the Contract) will describe the duties and responsibilities of all parties involved. The Contract will be signed by the Commission and a representative of Headwaters. Loan applicants may also get assistance in preparation of their loan package through Headwaters' loan officer or Small Business Development Center director.

Funding Criteria

Loan Applicant must:

1. be proposing a project that will directly improve economic development and diversification of the Jefferson County economy.
2. create a minimum of (1) Full-time Equivalent (FTE). (An FTE is defined as one individual working a 40-hour week, 52 weeks a year. Loan amounts are linked to FTE computations based on \$10,000 per FTE.)
3. match funds 1:1 with documented other funds.
4. show the loan funds will not be used to refinance existing debt.
5. have a debt to equity ratio not greater than 5:1.
6. start project within one year of loan and complete project within three years.
7. submit completed application and supporting documentation.

Direct Economic Development and Diversification

Request for a loan must clearly show how the funds will support economic development and diversification of Jefferson County's economy. Businesses that directly compete with existing businesses in the same area are strongly discouraged from applying and these proposals will only be funded under exceptional circumstances.

Full-time Equivalents (FTE)

The intent of the revolving loan funds is to assist for-profit entities with funding gaps in projects that will directly enhance the economic posture of Jefferson County. Loan amounts will be linked to the number of Full-time Equivalents (FTE) that will be created or retained within a three-year period. The use of an FTE basis puts all applicants on an even par for loan evaluation criteria. Each new FTE will be eligible for up to a \$10,000 loan from the revolving fund up to the specified amount available for that year. One (1) FTE is defined as an individual or combination of individuals who are employed for 40 hours a week for 52 weeks a year. Applicants must show how they determined the number of FTE positions they intend to create. Some examples are shown below and FTE positions can be computed using a combination of full-time, part-time or seasonal positions.

- a. Full-time. One (1) individual employed 40 hours a week, 52 weeks a year is equivalent to one (1) FTE. (40 hrs x 52 wks = 2080 hours)
- b. Part-time. Four (4) individuals employed 10 hours a week, 52 weeks a year is equivalent to one (1) FTE. (4 inds x 10 hrs x 52 wks = 2080 hours)
- c. Seasonal. Four (4) individuals employed 40 hours a week for 13 weeks a year is equivalent to one (1) FTE. (4 inds x 40 hrs x 13 wks = 2080 hours.)

Matching Funds

As a part of the application process the applicant must identify the source and use of funds that will be contributed to the project. To be eligible for a loan the applicant must show participation of at least one non-loan dollar for each loan dollar requested. The non-loan funds may come from applicant's cash, business assets/equity purchased/created within 180 days of the application date, as well as other new investment sources such as bank loans, grants, government loans, or other investment capital. Applicants must not incur costs or obligate funds, which may be anticipated from this loan prior to receiving written approval by the Commissioners that a loan will be awarded.

The following will not be considered as matching funds:

1. In-kind services
2. Costs incurred prior to the application date
3. Projected operating cash flow
4. Existing assets/equity (except for assets purchased within 180 days of the application date)

Loan Procedures

1. Loan application in Appendix A must be completed and submitted to Headwaters. Once the application is deemed complete; Headwaters will forward it to the Commissioners with a complete loan analysis. The Commissioners will pass the application to the MMRLF Committee for review and recommendation according to the flow chart at Appendix D. An incomplete application will be returned with a written explanation and cause a delay in the process since applications will be reviewed on a first come, first served basis as determined by the date the application was found to be complete.

2. Once an application is reviewed by the MMRLF Committee, a recommendation will be made to the Commissioners on the project. In the event the Commissioners, with good cause, revise the recommendation of the committee, the Commissioners will prepare a written finding describing the rationale for the alternative decision.

3. Once the Commissioners approve a loan application it will be returned to Headwaters for processing. The applicant will receive an award letter from the Commissioners stating the funding amount, interest rate and term, and any other conditions that apply. The County Treasurer will release the funds after all paperwork has been filed. If a loan is rejected by the Commissioners, a letter of notification will be sent to the applicant. If the applicant feels the decision was based on incomplete information they may request an appeal for reconsideration.

4. Loan requests may be submitted at any time throughout the year. Loan fund amounts are available based upon the available balance in the account. Once the available amount has been expended, no additional funds will be available unless approved by the County Commissioners.

5. All business plan information and financial exhibits will be considered confidential and used for evaluation purposes only to determine loan eligibility. Information submitted would not be provided to a third party, firm, corporation, or public entity unless it is required by law or written consent has been provided by the applicant.

6. A one hundred and twenty-five-dollar (\$125.00) application processing and credit report fee will be due and payable at the time the application is submitted. Applicant and any proposed Guarantors will sign a credit release information form with Headwaters at the time of application. One hundred dollars (\$100.00) will be credited back at the time of closing the loan. Should the loan be declined, the \$100 application fee will be retained to offset loan application processing costs.

7. A one percent (1%) loan origination fee will be charged on all loans. All other fees for any reports or other related borrower costs would be paid at closing. Closing costs will be estimated in good faith by Headwaters and provided to the applicant during the loan application process.

8. Projects should be completed within three (3) years of a loan award. In the event a project goes beyond this time period, the applicant must formally notify Headwaters in writing explaining the circumstances.

9. Applicants should be aware that in most cases it might take from 2-4 weeks before any funds will be received after a decision to award a loan has been made. Loan funds will be disbursed after recording of security documents on real estate and/or filing of any other security documents with the respective agencies. Loan funds will be disbursed as they are required for the project and be coordinated through Headwaters.

Interest Rates

Interest rates for revolving fund loans are computed as one percent above the Wall Street Journal daily published prime rate. Reduced interest rates may be offered as an incentive to attract or retain a business and the specific rate will be negotiated and established by the Commissioners.

Loan Terms

The terms of a loan are established as follows:

- | | |
|-------------------------------|-------------|
| 1. Machinery and Equipment: | 5-10 years |
| 2. Buildings and Real Estate: | 20-25 years |
| 3. Working Capital: | 7 years |

Deferral of Loan Payments

Loan payments of principal and interest may be deferred up to one (1) year upon approval by the Jefferson County Commission. Requests for loan principal or interest deferrals will require an explanation as to why the deferral is needed. Interest will continue to accrue on the loan during the deferral period. If interest payments are deferred, they will be added to the loan at the end of the deferral period. Deferral of loan principal payments or loan interest will result in higher monthly payments, a balloon payment, or may extend the loan period as determined by the Commissioners.

Loan Security

All loans will be secured with fixed assets (i.e., land, buildings, capital equipment) personal guarantees, or other sources of available collateral. Personal guarantees require copies of the last three- (3) year's personal/and or business Federal Income Tax Returns (with schedules) for validation of assets when deemed necessary. Revolving loan funds may be placed in a subordinate security position to other lenders involved with the project. Verification of collateral and collateral values will be performed by Headwaters. Hazard insurance will name Jefferson County as loss payee when "hard" assets are used as collateral. The amount of insurance coverage must cover the cumulative loan totals and evidence of coverage must be on file with Headwaters. Proof of insurance is a condition and part of closing a loan.

Amending the Revolving Loan Guidelines

The MMRLF Committee will review the revolving fund program annually. Amendments and/or clarification on the content of the loan program may be addressed at any time. Recommendations for changes or amendments will be presented to the Commissioners for approval.

Appendix A.

LOAN APPLICATION FORM

1. APPLICANT INFORMATION.

a. Business (**Trade/Legal Name of Business**): _____

b. Address: _____ Telephone Number: _____

c. Contact Individual: _____ Telephone Number: _____
Address: _____

d. Contact Individual Relationship to Business: _____

e. Federal tax identification number or social security #: _____

2. LOAN REQUEST INFORMATION.

a. *Requested Loan Amount (based on # FTE positions):* \$ _____

b. *Loan Purpose (include purpose and respective amounts):* _____

c. *Available Collateral (include brief description and value):* _____

3. BUSINESS INFORMATION.

a. Number of Years business has Been Established: _____

b. Type of Business	Loan Request For:
_____ Sole Proprietor	_____ Existing Business
_____ Partnership	_____ New Business
_____ Corporation	_____ Equipment
_____ Other	_____ Other (explain)

4. BUSINESS PLAN

a. Business Description. (Include a description of the business, products, and services offered and how it will benefit the community. ***Describe the products and services you offer. What are their special or unique features? What benefits do your products and services provide customers? What customer needs do your products and services***

meet? If you are planning an extension or expansion, describe any new products and services you plan to offer in the future. Are they new and/or different? Will they change the definition/direction of your business?)

- b. Management & Form of Ownership. (Provide the names, titles and resumes of each principal responsible for the management of the business. ***Describe the form of ownership of your business. Is it a sole-proprietorship, Partnership, Corporation, LLC, etc.***)
- c. Market. (Discuss the proposed market area and current market share as well as future projections. Explain how the data was derived. If projected sales increases are projected at over 20% of current levels, document the information with items such as contracts, sales letters, etc. ***This section is the heart of your business plan. The following areas should be addressed in detail and supported with appropriate research materials as part of your business plan appendices: (1) Summarize your market research and describe how you are going to sell your product or service and how you fit into that market place. (2) Identify and define your target market, including demographic information- support with research data. (3) Identify competition in market area, both direct and indirect. (4) Discuss Promotion, Advertising and Direct Selling.)***)
- d. Sources and Uses of Funds. (Provide information on the proposed source and use of funds for the project. ***Identify all sources providing funds to the project, including bank financing and owners cash/equity contribution.***)
- e. Financial Exhibits. (Business must show that projected cash flow will be sufficient to cover projected debt service and should include a narrative on how figures were derived.)

(1) Financial Statements: **For existing businesses:**

- ***Complete*** Tax returns for the past three years of operation (***including all schedules***)
 - Financial Statements for three years (***Balance Sheet and Profit & Loss Statement***)
 - Current Balance Sheet *
 - Current Profit and Loss Statement *
- * Current financial statements compiled or reviewed by an independent certified public accountant, with full disclosure notes are required for a business that has been in operation for more than one year. All financial statements must be dated and signed by a responsible officer of the business.

Financial statements should not be dated more than 90 days prior to the application.

- f. Earnings Projections: ***For all business applications. The purpose of this section is to attach dollar figures to the plan you've presented. Cash flow helps you understand the cycles of your business and when you may need additional cash. Financial statements let you know how your business stands at a given time.***

Provide the ***following*** projections for **three years**. Businesses that experience cyclic variations should explain their unique operating considerations.

- ***Proforma*** Balance Sheet (***on an annual basis***)
- ***Projected*** Profit and Loss Statement (***on an annual basis***)
- ***Projected*** Cash Flow Statement (***on a monthly basis***)

Support all of the above proforma/projected financial statements with a line-by-line item narrative explanation explaining how you arrived at the numbers presented.

- g. Debt Schedule: Provide a list of all-existing and projected debt and the annual debt service requirements. ***Include terms (interest rate, monthly payment, length of loan) of each debt and respective collateral.***
- h. Working Capital Needs: Provide information on working capital needs and verify through cash flow projections.
- i. Personal Balance Sheet: Individuals with a 20% or more interest in the business must provide a current personal ***financial statement and three years income tax returns (complete with all schedules)***.
- j. Personal Credit Check Release: The principal owners of the business, ***and all proposed personal guarantors*** must provide a signed form Appendix B, which allows a personal credit history check.
- k. Projected Start-up Date: _____ Projected Completion Date: _____
- l. Date Funds are Needed: _____
- m. Matching Funds: (must equal dollars of loan request)
- | Source | Amount |
|------------|--------|
| (1). _____ | |
| (2). _____ | |
| (3). _____ | |

5. PROJECT ADDITIONS: (Attach FTE worksheet computations in accordance with page 5, paragraph Full-Time Equivalents)

- a. Number of FTE Positions Created: _____ Retained: _____
Number of FTE Positions Retained: _____
- b. Part-time Positions Created: _____ Hours per week _____ Weeks per year _____
Part-time Positions Retained: _____ Hours per week _____ Weeks per year _____
- c. Number of Seasonal Positions Created: _____ Hours per week or # of months _____
- d. Projected hiring date: Full-time employee(s) _____ Part-time employee(s) _____
- e. Estimated Dollar Addition to Jefferson County Tax Base: _____

As the responsible authorized agent of _____ (name of business), I (we) hereby submit this Metal Mine Loan Application. The information presented in this application is, to the best of our knowledge, true and accurately represents the proposed project. I (we) understand additional information may be required.

BUSINESS NAME: _____

Signature

Typed Name/Title

Signature

Typed Name/Title

Date: _____

Appendix B.

AUTHORIZATION RELEASE

I hereby authorize Headwaters RC&D Area, Inc. on behalf of Jefferson County to check my credit report and to contact Child Support Enforcement Bureau regarding child support payments as part of the loan application process. This information will only be disclosed with participating financial institutions and/or agencies extending credit (loans) as a participant in this loan application to the Jefferson County Metal Mine Revolving Loan Program.

Please print clearly:

	<i>APPLICANT</i>	<i>CO-APPLICANT</i>
Social Security Number:	____ - ____ - ____	____ - ____ - ____
Name:	_____	_____
Address:	_____ _____	_____ _____
Previous Address:	_____ _____	_____ _____
Other Names Used:	_____ _____	_____ _____
Signature:	_____	_____
Date:	_____	_____

This release form must be accompanied with payment of the \$25.00 fee payable to Headwaters RC&D Area, Inc. for the credit report. The report is for use by Headwaters RC&D Area, Inc., and Jefferson County and any other participating financial institutions and/or agencies and cannot be made available to the applicant.

Appendix C.**LOAN EVALUATION FORM**

The following criteria will be used to evaluate the merits of a loan proposal request. A consolidated evaluation form from all committee members will be attached to the loan application form presented to the Jefferson County Commissioners for final approval of the loan. The total number of points available will be 100.

Loan Project Description: (1-5 points) _____

Loan Project Proposal Packet (1-5 points) _____

Loan Project Viability (1-10 points) _____

Economic Benefit (1-15 points) _____

Overall Community Benefit (1-15 points) _____

Number of Full-time Positions Created (1-15 points) _____

Number of Part-time Positions Created (1-10 points) _____

Number of Seasonal Positions Created (1-5 points) _____

Estimated Value of Tax Base Addition (1-10 points) _____

Former Mine Worker (1-5 points) _____

Use of Golden Sunlight Mine Facility (1-5 points) _____

TOTAL POINTS _____

Recommendation: Approval_____Disapproval_____

Appendix D.

Revolving Loan Flow Sheet

